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18 September 1958

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CENTRAL INTELLIGENCE BULLETIN



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CENTRAL INTELLIGENCE BULLETIN

18 September 1958

DAILY BRIEF

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I. THE COMMUNIST BLOC

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USSR: Moscow's note of 15 September, agreeing to technical talks in Geneva on 10 November, on measures to prevent surprise attack suggests that the USSR will seek to establish a close link between agreement on this question and progress on disarmament, particularly a permanent test cessation agreement. The Soviet leaders probably believe this tactic will serve to focus world attention on the termination of nuclear tests. [redacted] (Page 4)

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II. ASIA-AFRICA

Lebanon: [redacted]

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OK
[redacted] In northern Lebanon, where there are no army units, the security situation has worsened during the past week and Syrians are apparently exercising authority in many villages. [redacted]

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OK

French Tropical Africa: Guinea and Niger, two of the eight French West African territories, may well reject the French draft constitution on 28 September and opt for independence. French Somaliland may follow suit. De Gaulle, during his African tour last month, promised that any overseas territory voting "no" in the referendum would get its independence, but that such territories would have no claim on French financial assistance. Unless new arrangements with France are made, such developments would provide a new opening which both the UAR and the Soviet bloc could quickly move to exploit. [redacted] (Page 7) (Map)

OK

Philippines: The corrupt practices of the Garcia administration and the deteriorating economic situation are causing increased dissatisfaction in influential circles in Manila. There is also widespread resentment in the provinces over economic conditions and over the failure of the central administration to show interest in local problems. [redacted]

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[redacted] (Page 8)

*Ceylon - Communist China: The \$10,000,000 loan agreement signed by Ceylon and Communist China on 17 September apparently represents Colombo's final acceptance of an offer made by Peiping last March. Though originally tendered as a rehabilitation loan to assist Ceylon in repairing flood damage, the agreement as signed is for "machinery and equipment" to be exported by China. [redacted] (Page 9)

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DAILY BRIEF

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III. THE WEST

25X1 *AK* Brazil: Soviet offers of aid to Brazil's high-priority steel expansion program may soon become public knowledge, inviting renewed agitation for diplomatic and commercial relations with the USSR. [redacted] (Page 10)

LATE ITEM

OK 25X1 *Lebanon: Five high-ranking Lebanese army officers reportedly were placed under house arrest on 16 September, presumably on charges of plotting a coup. All are known as strong progovernment supporters and were energetic in fighting the rebels. Among those arrested were the former commander at Tripoli and the commander of the air force. Progovernment circles are very upset by the arrests and blame opposition pressure on General Shihab. [redacted]

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USSR Links Safeguards Against Surprise Attack to
"Definite" Disarmament Steps

Moscow's note of 15 September agreeing to technical talks in Geneva on 10 November on measures to prevent surprise attack suggests that the USSR will seek to establish a close link between agreement on this question and progress on "definite" disarmament measures, particularly a permanent test cessation agreement. In his initial call on 2 July for talks on the surprise attack problem, Khrushchev listed a "universal" termination of nuclear tests as an example of "preliminary" disarmament measures which would be an essential corollary of an agreement on safeguards against surprise attack. Soviet Foreign Minister Gromyko on 16 September said a UN General Assembly endorsement of a "universal" test cessation would be the "first important step" toward a complete ban on nuclear weapons and toward the solution of other disarmament questions.

The new Soviet note rejected the United States' view that surprise attack talks should take place without prejudice to the respective positions of the two governments on the timing or interdependence of various aspects of disarmament. Moscow insisted that the talks would be useful only if they were aimed at drafting recommendations "in combination with definite steps in the sphere of disarmament."

The Soviet leaders probably believe this tactic of making agreement on measures to prevent surprise attack contingent on "definite steps" toward disarmament will serve to focus world attention on the question of an agreement for the permanent cessation of nuclear tests--an issue on which the USSR feels its position has more propaganda appeal than that of the West. The fact that the conference on test cessation opens in Geneva just ten days before the beginning of the surprise attack talks in the same city will facilitate Soviet efforts to underline the close relationship between these issues.

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II. ASIA-AFRICA

Lebanese Situation

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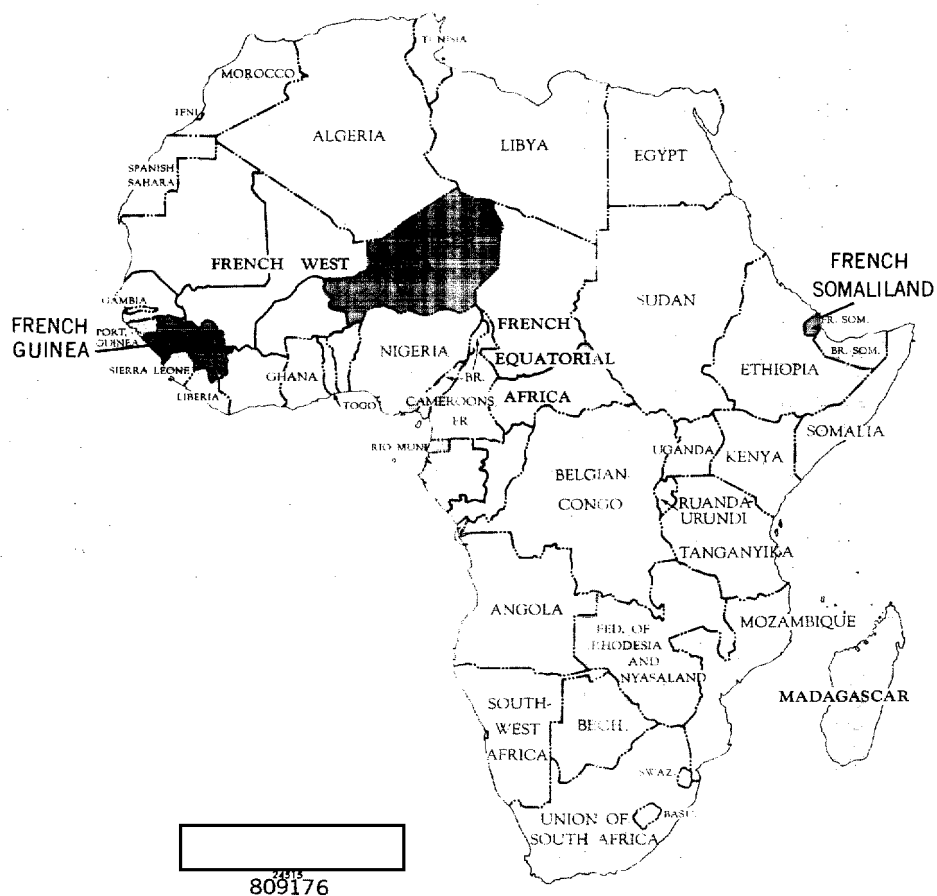
In northern Lebanon, where the army does not have units, the security situation has deteriorated considerably in the past week. Incidents and fighting have increased, and the majority of villages are antigovernment with Syrians apparently in positions of authority. Syrian police are reported to be stationed in some areas. Improvement in the security situation in the country seems more superficial than real, and preparations for a "second round" after Shihab's inauguration are proceeding.

The rebels have no intention of voluntarily disarming, and Druze leader Jumblatt's forces are continuing with their build-up southeast of Beirut, while the town of Baalbak is still closed to the army by opposition forces. It probably will not be long before one or more of the opposition groups will again challenge the government's authority.

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Rejection of De Gaulle Constitution Likely in Several French African Territories

The French West African territory of Guinea is virtually certain to reject the new French constitution in the referendum on 28 September, following the advocacy of such a course by Sekou Toure, its leftist-oriented African premier. Niger, another of the eight West African territories, and French Somaliland in East Africa appear increasingly likely to follow suit, and still further defections from the projected new French community may follow. Guinea has a population of about 3,000,000; Niger some 2,450,000; and Somaliland approximately 50,000; the percentage of resident Europeans is negligible except in Somaliland.

In a speech on 14 September, Touré, who is also the leader of the more radical wing of the powerful African Democratic Rally--the stronger of the two principal interterritorial African political parties--asserted that as of 29 September Guinea would be an independent country. French authorities have indicated, however, that certain additional formalities would have to be observed before the independence of any area voting against the new constitution would be recognized.

Despite De Gaulle's threat to cut off the subsidies on which all French Tropical African territories except the Ivory Coast depend--especially for their development budgets--Touré is apparently still hopeful that Paris can be induced to continue its assistance programs. He is reported to have proposed the negotiation, immediately after the referendum, of conventions whereby France would handle Guinea's defense, foreign affairs, and finances. He is also said to have given assurances that Guinea would respect international commitments affecting it, especially those involving foreign investments which, with US participation, have been expanding in recent years.

If French financial aid should not be continued, the territories opting for immediate independence will inevitably feel compelled to look for other sources. Such an eventuality would provide the Soviet bloc and the UAR with new opportunities.

[Redacted]

[Redacted]

Discontent in Philippines

Increasing corruption in the Garcia administration, as well as the government's failure to take firm measures to curb economic deterioration, have intensified criticism of the Philippine President among ranking members of his own Nacionalista party. A growing congressional bloc of anti-Garcia Nacionalistas has expressed alarm over Garcia's public defense of dubious transactions involving prominent officials, and there is a growing belief that Garcia's much publicized anticorruption drive is merely a facade for restaffing government agencies with loyal followers.

Ranking armed forces officers--previously reported demoralized by political influence over promotions--now are said to be increasingly disturbed by the general trend toward economic and political deterioration. [REDACTED]

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An American Embassy official who recently toured several southern provinces reported general discontent among local officials with the centralization of power in Manila and with Garcia's failure to give greater attention to provincial grievances. While economic hardship does not now appear sufficiently critical to threaten serious social unrest, conditions will probably get worse. The evidence of popular dissatisfaction presents a sharp contrast to the mass enthusiasm inspired by the late President Magsaysay. [REDACTED]

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Ceylon Accepts Chinese Communist \$10,000,000 Loan

Ceylon on 17 September accepted a long-term \$10,000,000 loan from Communist China for machinery and equipment to be delivered during the next four years. The loan, repayable in ten installments beginning in 1961, was originally offered by China in March this year to aid in rehabilitation following severe floods in Ceylon. Under the agreement, signed by the Ceylonese prime minister and Peiping's ambassador to Ceylon, the loan may be repaid in a currency agreed to by both parties or in Ceylonese products acceptable to China.

As part of a \$15,750,000 gift, Peiping now is providing \$3,150,000 worth of goods each year for a five-year period for the development of Ceylon's rubber industry. Other bloc assistance accepted by Ceylon recently includes a \$30, - 000,000 Soviet economic development loan and \$3,500,000 from Czechoslovakia for a sugar factory. [REDACTED]

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[REDACTED]

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III. THE WEST

Soviet Offers of Aid to Brazilian Steel Industry

High Brazilian officials are renewing pressure for US economic development assistance by pointing to two recent Soviet offers of aid to the high-priority national steel expansion program, a part of President Kubitschek's "five-year development plan."

The American Embassy in Rio de Janeiro has been informed that the Soviet ambassador in Washington offered the Brazilian ambassador substantial aid on a steel mill. Another offer --made through a local importer since Brazil does not maintain relations with the USSR--is a barter proposal which includes the delivery to Brazil of essential oil drilling equipment. Similar bloc offers last fall and winter were leaked to the press and resulted in a strong wave of agitation for diplomatic and commercial relations with the USSR.

Government efforts to narrow the gap between increasing domestic steel consumption and production are handicapped by Brazil's severe foreign exchange shortage and its agreement with the International Monetary Fund to avoid seeking short-term commercial credits even for imports of essential equipment. Brazil's steel industry, although the largest in Latin America, produces only some 1,500,000 tons of ingots annually, and even the ambitious investment plans of Japanese and European interests are considered inadequate to supplement the national program. Top officials have expressed disappointment over the failure of US steel companies to respond to Brazil's long-standing desire for investment in this field and also over the temporary collapse of plans for investment in iron ore development resulting from reduced world demand.

Despite Brazil's increasing interest in developing markets in the Soviet bloc, the government is extremely wary of permitting bloc involvement in its development program and will probably use Soviet offers mainly as a means of promoting interest in its plan for an "Operation Pan America," a hemisphere-wide development scheme to be discussed at the Washington meeting of American foreign ministers scheduled for 23-24 September. [REDACTED]

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The Secretary of State

The Under Secretary of State

The Under Secretary of State for Economic Affairs

The Deputy Under Secretary for Political Affairs

The Deputy Under Secretary for Administration

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Assistant Chief of Staff for Intelligence, Department of the Army

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Assistant Chief of Staff, Intelligence, Department of the Air Force

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The Director

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